NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

Producers 88 (4-89) — Paid Up With 640 Acres Pooling Provision STANDARD LEASE W/ OPTION v.3

PAID UP OIL AND GAS LEASE (No Surface Use)

THIS LEASE AGREEMENT is made this 30th day of October, 2008, by and between LEGGETT, LEGGETT, & LEGGETT, whose address is 6816D Camp Bowie Blvd, Ft. Worth, TX 76116, as Lessor, and <u>DALE PROPERTY SERVICES</u>, <u>L.L.C.</u>, 2100 Ross Avenue, Suite 1870 Dallas Texas 75201, as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee,

1. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

SEE EXHIBIT "B"

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of Three (3) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons

separated at Lessee's separator facilities, the royalty shall be <u>Twenty Five Percent</u> (25)% of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchase such production facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price then prevailing in the same field, then in the nearest field in which there is no such price then prevailing in the same field, then in the nearest field in which there is no such price then prevailing in the same field, then in the nearest field in which there is no such price then prevailing in the same field, then in the nearest field in which there is no such price then prevailing price then prevailing price then prevail the same field. then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casing head gas) and all other substances covered hereby, the royalty shall be Twenty Five Percent (25)% of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder, and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of either producing oil or gas or other substances covered hereby in paying quantities or such wells are waiting on hydraulic fracture stimulation, but such well or wells are shut-in or production there from is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut-in or production there from is not being sold by Lessee; shall pay shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period while the well or wells are shut-in or production there from is not being sold by Lessee; provided that if this lease is otherw

maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shuf-in royally shall be due until the and of the 90-day period not following cessation of such operations or production. Lessee's failure to properly sys shuf-in royally shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. All shuf-in royally symments under this lease shall be paid or tendered to Lessor's credit in at 1_essor's a deficience, and the shall be Lessor's depository agent for receiving payments repartiess of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by credit and such payments or tenders to Lessor or to the depository or to the Lessor's state and the said of the shall be bestor's depository agent for receiving payments. If the depository should liquidate or be succeeded by another institution as depository agent to receive payments.

5. Except as provided for in Peragraph 3, above, if Lessee office a well which is incapable of producing in paying quantities (hereinatine called "dry hole") on the Lessor provisions of Paragraph 6 or the ection of any governmental authority, then in the event this lesse is not otherwise being maintained in frome it shall nevertheless remain in the provisions of Paragraph 6 or the ection of any governmental authority, then in the event this lesse is not otherwise being maintained in frome it shall nevertheless remain in the provisions of Paragraph 6 or the ection of any governmental authority, then in the event this lesse is not otherwise being maintained in frome it shall nevertheless remain in the production of the payment o

constitute a cross-conveyance of interests.

7. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part

7. If Lessor owns less than the full mineral estate in all or any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises bears to the full mineral estate in such part of the leased premises bears to the full mineral estate in such part of the leased premises bears to the full mineral estate in such part of the leased premises bears to the full mineral estate in such part of the leased premises of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in the depository, either jointy or separately in proportion to the interest which each owns. If Lessee transfers it is interest hereunder in whole or in part Lessee shall be refleved of all obligations thereafter arising with respect to the transferred interest shall not affect the rights of Lessee with respect to the transferred interest and the respect of the rights of Lessee with respect to the interest of the interest or released. If Lessee transfers a full or undivided interest in all or any portion of the

11. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas, and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

12. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said

judicial determination to remedy the breach or default and Lessee fails to do so.

13. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

14. Notwithstanding anything contained to the contrary in this lease, Lessee shall not have any rights to use the surface of the leased premises for drilling or other operations or locate any facilities, equipment, or pipelines of any kind on the surface of the leased premises.

15. Lessor, and their successors and assigns, hereby grants Lessee an option to extend the primary term of this lease for an additional period of $\underline{\text{Two}}$ (2) years from the end of the primary term by paying or tendering to Lessor prior to the end of the primary term the same bonus consideration, terms and conditions as granted for this lease.

DISCLAIMER OF REPRESENTATIONS: Lessor acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, are market sensitive and may vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor understands that these lease payments and terms are final and that Lessor entered into this lease without duress or undue influence. Lessor recognizes that lease values could go up or down depending on market conditions. Lessor acknowledges that no representations or assurances were made in the negotiation of this lease that Lessor would get the highest price or different terms depending on future market conditions. Neither party to this lease will seek to alter the terms of this transaction based upon any differing terms which Lessee has or may negotiate with any other lessors/oil and gas owners.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

SEE EXHIBIT "A" ATTACHED HERETO AND BY REFERENCE MADE A PART HEREOF

Signature: Patti Segsett PATTI LEGGETT, Manager Printed Name:	Signature: Printed Name:
STATE OF TEXAS	ACKNOWLEDGMENT
COUNTY OF TARRANT	Mat 300 P . Parti
This instrument was acknowledged before me on _	ONT. 3008 by 1/1200
STATE OF TEXAS BY Commission En	Notary Public, State of Texas
This instrument was acknowledged before me on _	by
	<u> </u>

EXHIBIT "A"

Attached to and made a part of the PAID UP OIL AND GAS LEASE dated October 30, 2008 between Dale Property Services, LLC, as Lessee, and _LEGGETT, & LEGGETT, as Lessor; WITNESSETH:

(16) NO DEDUCTIONS. Notwithstanding anything herein to the contrary, lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs. If the Lessee sells gas to a company in which Lessee owns an interest, legal or beneficial, or any company of which it is a subsidiary or parent company, Lessee agrees to pay Lessor for Lessors share of the gas based on the highest price being paid in the general area for gas of similar quality if that amount exceeds the amount paid to Lessee. On non-recoupable proceeds or benefits received by Lessee, such as for take-or-pay, reserves dedication or any other benefits received by

the Lessee, Lessee agrees to pay Lessor twenty-five percent (25%) of the proceeds and/or benefits received by the Lessee, its successors and assigns. If the products subject to this lease are enhanced, by any method, and the Lessee, a subsidiary, parent or affiliate of Lessee receive additional benefits, due to the enhancement, Lessor shall receive twenty-five percent (25%) thereof. However, any such costs which result in enhancing the value of the of the marketable oil, gas or other products to receive a better price may be deducted from Lessor's share of production as long as they are based on Lessee's actual cost of such enhancements. In no event shall Lessor receive a price that is less than, or more than, the price received by Lessee from an unaffiliated third party purchaser. Lessee is obligated to treat Lessor with utmost good faith and keep the Lessor whole.

- (17) SHUT IN ROYALTIES. Notwithstanding anything contained herein to the contrary, the shut-in royalty shall be \$25.00 per acre. After the end of the primary term, this lease may not be maintained in force solely by reason of the shut-in royalty payments, as provided heretofore, for any one shut-in period of more than two (2) consecutive years.
- (18) <u>TERMINATION</u>. At the end of the primary term of this lease or upon the cessation of any drilling operations being conducted at the end of the primary term on the leased premises or on land pooled therewith, this lease shall terminate automatically as to all of the mineral estate lying more than 100' below the base of the Barnett Shale Formation.
- (19) FORCE MAJEURE. If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil and gas from the leased premises by reason of war, rebellion, riots, strikes, or acts of God, then while so prevented, Lessee's obligation to comply with such covenants shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the time for payment of royalties, shut-in royalties or any other monetary payments due and payable to Lessor under this lease
- (20) BREACH OF CONTRACT. In the event Lessor considers that Lessee has not complied with its obligation hereunder, both express and implied, Lessor shall notify Lessee in writing, setting out specifically in what respects Lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by Lessor. The service of said notice shall be precedent to the bringing of any action by Lessor against Lessee for any cause, and no such action shall be brought until sixty (60) days after service of such notice on Lessee. Neither the service of said notice nor the doing of any acts by Lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform all its obligations hereunder.

In the event of a conflict between the terms of this addendum and the terms of the printed form lease, the terms of this addendum shall control.

EXHIBIT "B"

Attacl	ed to	and	made	a pa	rt of	the	PAID	UP	OIL	AND	GAS	LEASE	dated
October 30			_, 20	08, bo	tween	Dal	e Prop	perty	Servi	ces, L	LC, a	as Lesse	e, and
Leggct	+ , L	egget	t,a	a L	<u>1990+</u>	<u>t</u>					,	as	Lessor;
WITNESSET					U								
			,										
,796 acres o	f land,	more	or less,	being	Blk _	L	.ot <u>2 Ar</u>	, a	ın addi	tion to	the City	y of Fort	Worth,
Tarrant Coun	ty, Tex	as, acc	ording	to the	Plat th	ereof 1	recorde	d in V	olume	388-4	<u> </u>	Page <u>59</u>	, Plat

in the county of TARRANT, State of TEXAS, containing .796 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith (including geophysical/seismic operations). The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.



DALE RESOURCES LLC 2100 ROSS AVE STE 1870 LB-9

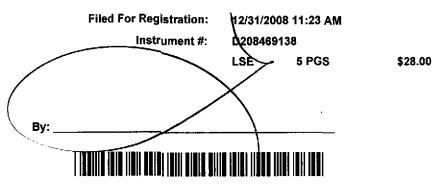
DALLAS

TX 75201

Submitter: DALE RESOURCES LLC

SUZANNE HENDERSON TARRANT COUNTY CLERK TARRANT COUNTY COURTHOUSE 100 WEST WEATHERFORD FORT WORTH, TX 76196-0401

<u>DO NOT DESTROY</u> WARNING - THIS IS PART OF THE OFFICIAL RECORD.



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ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

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